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1981 Housing

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# 1981 ANNUAL REPORT MONTANA

MONTANA BOARD OF HOUSING

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# Message from the Governor



A home is the largest single purchase most families ever make and providing an opportunity for those who otherwise cannot afford a home is the function of the Board of Housing.

Created by the Housing Act of 1975, the Board of Housing has enabled approximately 5,000 low and moderate income persons and families to purchase their own homes. By selling Mortgage Revenue Bonds, the Board offers attractive interest rates for the purchaser to make a solid investment and give the Montana housing industry a shot in the arm.

I commend the Board of Housing on its ability to respond to the housing needs of Montanans and extend my best wishes for success in 1982.



Sincerely,

A handwritten signature in cursive script, reading "Ted Schwinden".

TED SCHWINDEN  
Governor

We are pleased to present our fifth Annual Report for the year ending June 30, 1981. Unfortunately, many of the activities of the Board were limited due to cumbersome federal legislation and accelerated interest rates. The single family mortgage purchase program was curtailed for two reasons; the rules and regulations of the Mortgage Subsidy Bond Tax Act of 1980 were not published until July and then interest rates continued to spiral upward making it financially impossible for the Board to enter the credit market. Although the Board has 218 units of Section 8 multifamily rental housing, we have been unable to arrange the necessary financing because of high interest rates. The Board is presently working on alternative financing for these projects and hopefully we will be successful in the coming year.

# Letter of Transmittal



Calvin S. Robinson



Dan K. Mizner



Paul A. Johnson



Robert F. James

In conjunction with the underwriters, the Board, staff and counsel have structured a single family financing and program documents to once again enter the municipal bond market under the provisions of the Act. Many hurdles have been crossed in discovering alternatives to meet and exceed requirements imposed by the new federal law. Although economic conditions and volatile interest rates during the last year have limited Montana's demand for housing, Montana has a unique economy. While the western part of the state is very depressed due to curtailment of the wood products and related industries, the energy communities of central and eastern Montana are experiencing tremendous growth. These energy-impacted areas need new housing and financial assistance from the Board.

In January, Governor Schwinden appointed four new members to serve on the Board, Mrs. Joan Bennett, Bruce Moerer, Michael Kennedy, Jr. and Tom Battershell. We are looking forward to continued expertise and guidance from these very qualified individuals. We would also like to thank the previous Board members, Bob James, Calvin Robinson, Dan Mizner and Paul Johnson. Your example of dedication and service will remain a monument of achievement to those who follow you in this effort.

We would like to thank the Board and staff who have worked many long hours to carry out the mandate the legislature has given us. Our thanks to Governor Schwinden and his staff for the cooperation and assistance they have given us this past year. We also wish to acknowledge the state legislature who so graciously cooperated with us during the legislative session. And a special thanks to our Congressional Delegation and staff who listened to our problems and worked endless hours to obtain a workable, tax exempt, revenue bond legislation.

Finally we wish to join with the Board and staff to continue to structure bond issues to provide mortgage funds at an affordable rate to worthy low and moderate income persons and families of Montana.

  
William A. Groff  
Chairman

  
Lyle E. Olson  
Administrator

# Members of the Board

## William A. Groff

Victor, Montana Board Member and Chairman, President and Chairman of the Board of Farmers State Bank, Victor, Montana, former State Director of Department of Revenue, former State Senator, State of Montana



William A. Groff



Thomas Battershell

## Thomas Battershell

Helena, Montana Board Member and Vice Chairman, President Sunrise Construction Company, Helena, Montana

## Virginia Jellison

Missoula, Montana Board Member and Secretary, Executive Director, Missoula Housing Authority, Missoula, Montana



Virginia Jellison



James J. Leary

## James J. Leary

Butte, Montana Board Member, Regional Director, AFL-CIO, Retired

## Bruce W. Moerer

Chinook, Montana Board Member, Attorney Sias and Ronstrom, Chinook, Montana, former President, Montana Association of City Attorneys



Bruce W. Moerer

## Joan Bennett

Great Falls, Montana Board Member, Housewife, Commissioner, Great Falls Housing Authority, member of Neighborhood Housing Service (NHS) of Great Falls, Montana



Joan Bennett

## Michael J. Kennedy, Jr.

Billings, Montana Board Member, Printer, Trott Printing Co., City Councilman, member of City Council Planning Board, and Chairman, Plat Review Committee, Billings, Montana



Michael J. Kennedy, Jr.



# Staff to the Board



Lyle E. Olson



Linda M. Forrey



Herbert H. George



David A. Kraft

*Lyle Olson testifies before a 1981  
Legislative Committee on Senate Bill  
91 increasing the bond debt limit of the  
Board of Housing.*



Judy R. Gillespie

Lyle E. Olson  
Administrator

Linda M. Forrey  
Single Family Program Officer

Herbert H. George  
Multifamily Program Officer

David A. Kraft  
Controller

Judy R. Gillespie  
Accountant

Meredith McGuire  
Administrative Assistant

Nita M. Routzahn  
Executive Secretary



Meredith McGuire  
Nita M. Routzahn

# Distribution of Multifamily Housing Developments

To date, the Montana Board of Housing has provided financing for the construction of ten projects. In addition to the 560 units of needed housing for Montana residents, the secondary benefits to the local economy has been substantial in providing needed employment for the work force in the communities where the projects are located.

The four projects, for which construction financing was provided in 1980-81, have been completed and the mortgage loans have been assigned to the Government National Mortgage Association (GNMA) pursuant to its commitment for long term mortgage financing. These projects provide



*Cedar View — Malta*

196 units of housing. The Rose Park Plaza, located in Billings, contains 112 units; the El Dorita Village, located in Kalispell, contains 36 units; the Cedarview, located in Malta, contains 32 units; the Chair III, located in Whitefish, contains 16 units. These units were occupied within 30 days after permission to occupy was granted by DHUD and local authorities.

The three projects to which our 1980 one hundred units of Section 8 "set aside" were allocated are in processing for mortgage insurance commitments at the Denver Regional office of DHUD.

Pursuant to the Board's request for a "set aside" of Section 8 assisted units for fiscal year 1981, the Board was granted 118 units by DHUD. These units have been allocated to three projects and are also in processing status for mortgage insurance commitments at the Denver Regional office of DHUD.

Needless to say, the bond market has presented problems in arranging for the funds with which to finance the 1980-1981 projects. Optimistically, it is anticipated that the bond market will improve to a degree that will enable the Board to market bonds, early in 1982, for financing the six projects now in process.

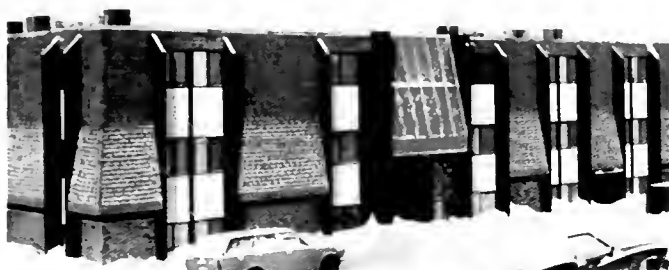
*Cedar View — Malta*





The year ending June 30, 1981 produced mixed results for the Montana Board of Housing. The legislature of the State of Montana authorized the Board an additional \$300 million in bonding authority, bringing the Board's total authority to \$675 million. However, difficult economic conditions coupled with restrictive federal legislation precluded the Board from issuing any new bonds or notes during the year. During the year, the Board did purchase approximately \$51.5 million in single family mortgages and \$6.7 million in multifamily mortgages and construction advances with the proceeds of bonds issued during the prior year.

The general increase in interest rates experienced by the economy during the year resulted in a condition where mortgage prepayments as actually experienced by the Board fell short of those originally anticipated. However, cash flows prepared for the single family mortgage program funds at June 30, 1981 indicate that these funds will be able to meet scheduled debt retirement even if no further prepayments are received.



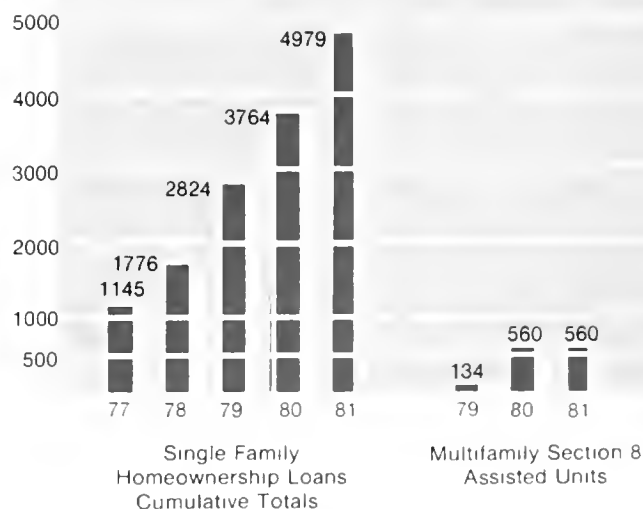
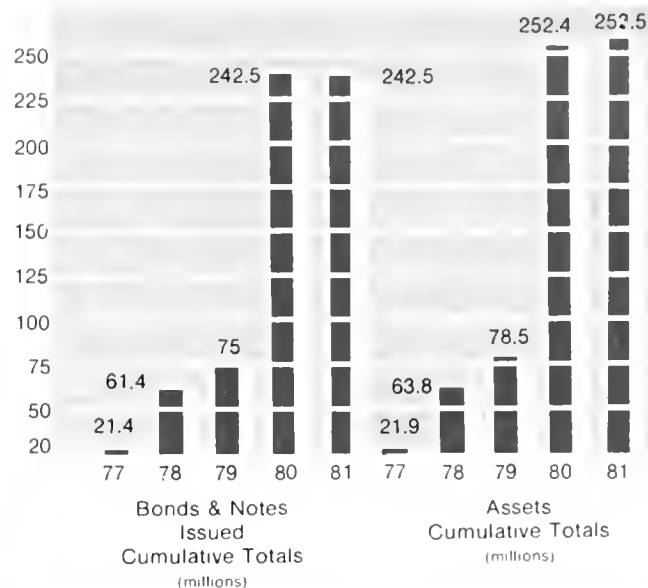
Oakwood Village — Havre



With respect to the various funds of the Montana Board of Housing:

- Single Family I Mortgage Program Funds are now mature in the sense that substantially all proceeds have been invested in mortgages for two years. Total assets of this indenture at June 30, 1981 was approximately \$72.6 million and revenues over expenses for the year then ended was \$1.3 million. Approximately \$1.9 million in scheduled bond principal was retired during the year.
- During 1981, the Single Family II Mortgage Program completed its investment of original bond proceeds in mortgages. Total assets at June 30, 1981 was approximately \$156.6 million and revenues over expenditures for the year then ended was \$3.3 million. \$880,000 in scheduled bond principal was retired during the year.
- Approximately \$1.0 million was advanced by the Multifamily Mortgage Program Funds on four projects. Total assets at June 30, 1981 was approximately \$14.9 million and revenues over expenses for the year then ended was approximately \$250,000. An aggregate of \$55,000 in bond principal was retired during the year.

# 1981 in Review



- The Construction Loan Note Program Fund advanced approximately \$5.7 million on four projects during the year. Shortly after June 30, 1981, permanent financing on two of the projects had been completed. Total assets at June 30, 1981 was approximately \$9.3 million and revenues over expenses was approximately \$267,000. The Board was not required to retire any note principal during the year.

# Qualified and/or Participating Lenders

**ANACONDA**  
First National Bank  
First Security Bank

**BAKER**  
Montana Bank of Baker  
The Bank of Baker

**BELGRADE**  
Montana Bank

**BIG TIMBER**  
Citizens Bank & Trust Co  
First Security Bank

**BILLINGS**  
First Bank Billings  
First Bank West  
First Citizens Bank  
First Federal Savings & Loan  
First Northwestern National Bank  
Pioneer Bank  
Rimrock Bank  
Security Bank  
Security Federal Savings & Loan  
Valley Credit Union  
Western Bank

**BOULDER**  
First Boulder Valley Bank

**BOZEMAN**  
First Bank  
First Security Bank  
Montana Bank

**BROADUS**  
Powder River County Bank

**BUTTE**  
First Citizens Bank  
First Bank  
First National Bank  
Miners Bank of Montana  
Montana Bank of Butte  
Prudential Federal Savings & Loan

**CHINOOK**  
Blaine Bank of Montana  
Western Bank of Chinook

**CHOTEAU**  
The Citizens State Bank

**CIRCLE**  
Montana Bank of Circle

**COLSTRIP**  
Security Bank

**COLUMBIA FALLS**  
Bank of Columbia Falls  
Glacier National Bank

**CUT BANK**  
First Interstate Bank of Glacier County  
First National Bank

**DEER LODGE**  
Deer Lodge Bank & Trust  
Pioneer Federal Savings & Loan

**DILLON**  
First Northwestern National  
State Bank & Trust Co

**ENNIS**  
First Madison Valley Bank

**FORSYTH**  
First State Bank

**GLASGOW**  
First National Bank  
First Security Bank

**GLENDALE**  
First Fidelity Bank  
First National Bank  
First Security Bank

**GREAT FALLS**  
Central Bank of Montana  
Eastside Bank of Montana  
Fidelity Savings & Loan  
First Federal Savings & Loan  
First Interstate Bank  
First Bank  
First Bank West  
Great Falls Federal Savings & Loan  
Northwestern National Bank  
Village Bank

**HAMILTON**  
Citizens State Bank  
Ravalli County Bank

**HARDIN**  
Big Horn Bank  
Little Horn State Bank

**HARLEM**  
Security State Bank

**HARLOWTON**  
Continental National Bank

**HAVRE**  
Citizens Bank  
First National Bank  
First Security Bank  
Havre Federal Savings & Loan

**HELENA**  
American Federal Savings & Loan  
Bank of Montana  
First Bank Helena  
Home Federal Savings & Loan  
Northwestern Bank  
Valley Bank of Helena

**JORDAN**  
Garfield County Bank

**KALISPELL**  
First Federal Savings & Loan  
First Interstate Bank of Kalispell  
First Northwestern National Bank  
First Security Bank  
Montana Savings & Loan  
Valley Bank of Kalispell

**LAUREL**  
First Security Bank

**LEWISTOWN**  
First National Bank  
Northwestern Bank

**LIBBY**  
First National Bank  
United National Bank

**LIVINGSTON**  
Empire Federal Savings & Loan  
First National Park Bank  
First Security Bank

**MILES CITY**  
First Citizens Bank  
First National Bank  
First Security Bank

**MISSOULA**  
First Bank Southside  
First Bank Western  
First Federal Savings & Loan  
First National Montana Bank  
First Security Bank  
Missoula Bank of Montana  
Western Federal Savings & Loan

**POLSON**  
First Citizens Bank  
Security State Bank

**RONAN**  
Ronan State Bank

**ROUNDUP**  
Montana Bank of Roundup

**ST. IGNATIUS**  
Lake County Bank

**SIDNEY**  
First United Bank  
Montana Bank of Sidney  
Richland National Bank

**STEVENSVILLE**  
First State Bank

**SUPERIOR**  
Montana Bank of Mineral County

**TOWNSEND**  
State Bank of Townsend

**VICTOR**  
Farmers State Bank

**WHITE SULPHUR SPRINGS**  
First National Bank

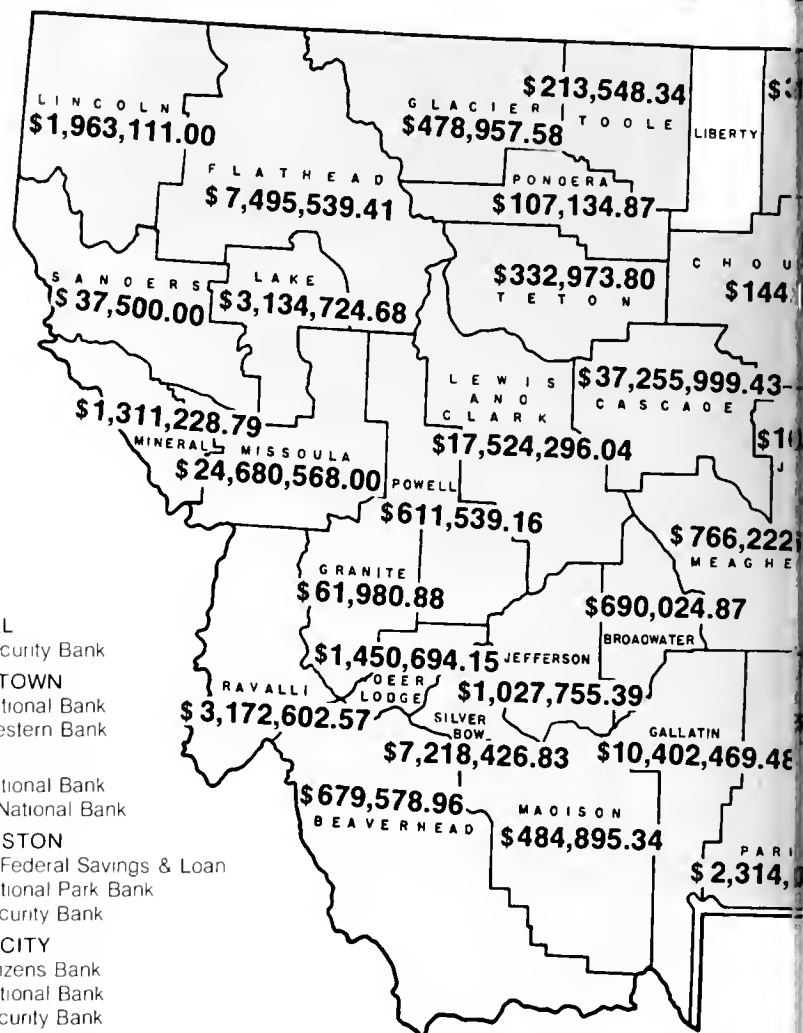
**WHITEFISH**  
Mountain Bank

**WHITEHALL**  
Whitehall State Bank

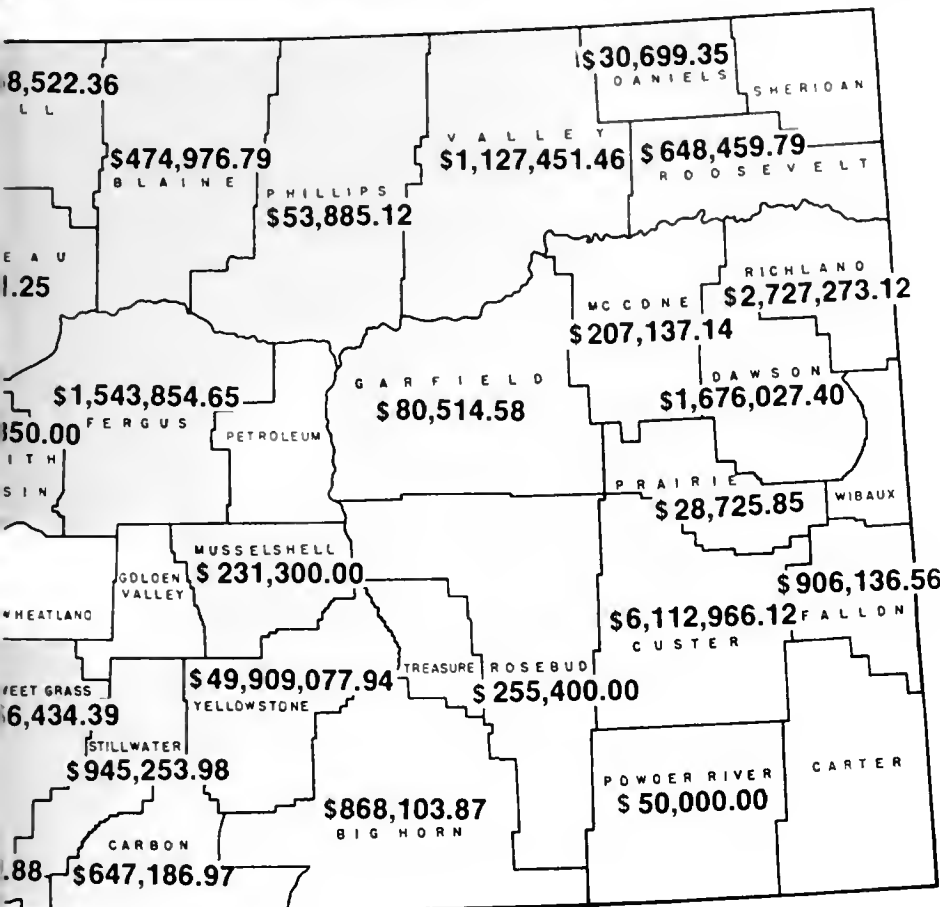
**WIBAUX**  
First National Bank

**WOLF POINT**  
Citizens First National Bank  
Western National Bank

**MORTGAGE COMPANIES**  
Bancshares Mortgage  
Charter First Mortgage Corp  
Commerce Mortgage  
Guaranty Company  
Lomas & Nettleton  
Mellon Mortgage Inc — West  
Rainier Mortgage Company  
SIMCO Mortgage Company  
Streeter Brothers Mortgage Company  
Utah Mortgage Loan Corporation  
Victorio Mortgage Company  
Washington Mortgage Company, Inc  
Westland Mortgage Company



# Mortgage Loans Purchased Per City



## STATE TOTAL — \$195,460,373.85

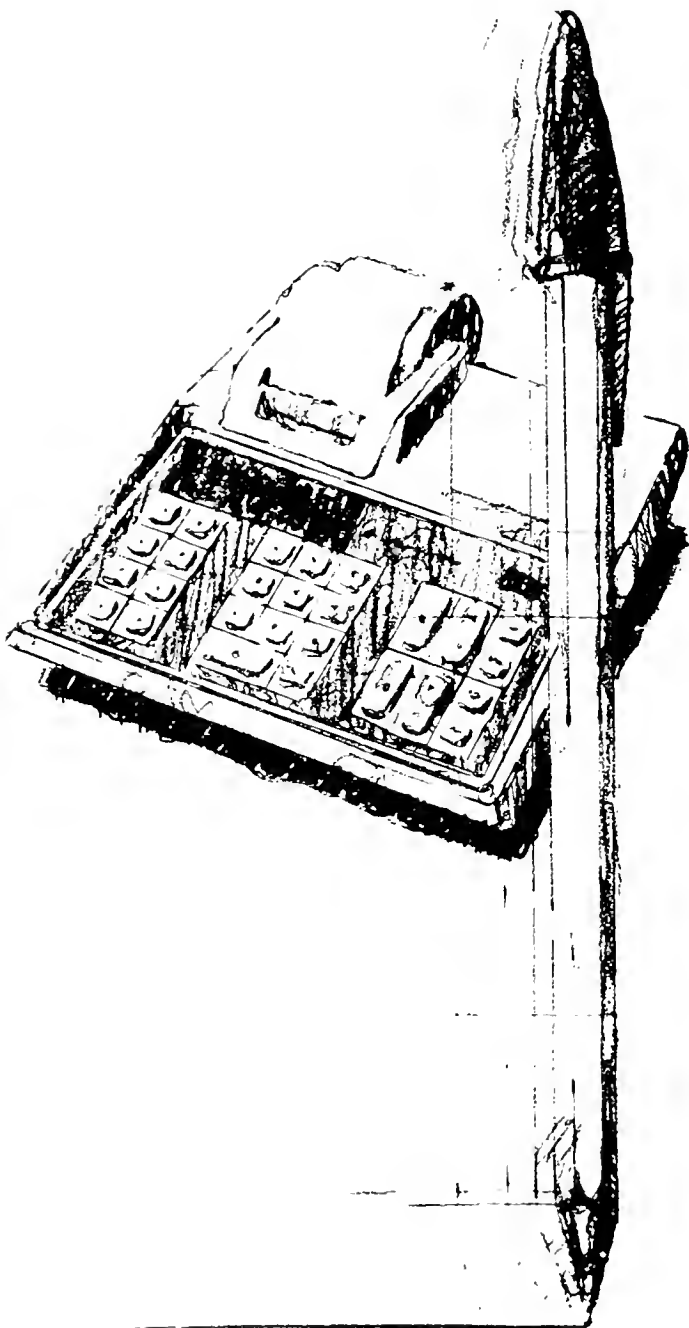
### MORTGAGE LOANS 6/30/81

	Total
Absarokee .....	\$ 149,650.00
Alberton .....	250,879.62
Anaconda .....	1,450,694.15
Baker .....	906,136.56
Belgrade .....	3,695,728.05
Belt .....	318,249.88
Big Sandy .....	61,133.48
Big Sky .....	47,882.50
Big Timber .....	56,434.39
Bigfork .....	181,787.81
Billings .....	46,935,147.86
Black Eagle .....	240,399.25
Bonner .....	136,137.29
Boulder .....	132,779.02
Bozeman .....	6,068,431.15
Bridger .....	93,400.00
Broadus .....	50,000.00
Broadview .....	39,900.00
Butte .....	7,158,426.83
Cascade .....	112,944.33
Charlo .....	124,983.63
Chinook .....	438,169.27
Choteau .....	45,000.00
Churchill .....	29,500.00
Circle .....	207,137.14
Clancy .....	687,472.44
Clinton .....	136,900.38
Colstrip .....	49,000.00
Columbia Falls .....	1,694,889.09
Columbus .....	306,600.00
Conrad .....	107,134.87
Corvallis .....	171,167.98
Culbertson .....	66,579.20

Cut Bank .....	457,163.03
Deer Lodge .....	576,439.98
Dillon .....	679,578.96
Dutton .....	61,900.00
East Glacier .....	21,794.65
East Helena .....	2,780,231.01
East Missoula .....	257,300.00
Edgar .....	46,000.00
Elliston .....	35,099.18
Ennis .....	374,400.00
Eureka .....	57,276.58
Fairfield .....	176,073.80
Fairview .....	271,980.92
Fallon .....	28,725.85
Florence .....	518,455.21
Forsyth .....	206,400.00
Fort Benton .....	83,227.77
Fort Smith .....	44,405.18
Frenchtown .....	164,417.81
Froid .....	22,284.13
Gallatin Gateway .....	41,000.00
Gardiner .....	38,439.67
Glasgow .....	1,016,050.72
Glendive .....	1,676,027.40
Great Falls .....	36,233,715.65
Hamilton .....	581,395.26
Hardin .....	823,698.69
Harlem .....	36,807.52
Havre .....	3,158,522.36
Helena .....	14,710,189.15
Hobson .....	37,350.00
Hungry Horse .....	56,433.29
Huntley .....	103,500.00
Huson .....	185,722.13
Joliet .....	133,471.11

Jordan .....	80,514.58
Kalispell .....	4,929,312.39
Kila .....	40,000.00
Laurel .....	2,490,195.19
Lewistown .....	1,508,692.64
Libby .....	1,766,813.56
Lincoln .....	33,875.88
Livingston .....	2,257,763.14
Lolo .....	2,229,927.91
Malta .....	53,885.12
Manhattan .....	378,418.96
Miles City .....	6,112,966.12
Missoula .....	21,470,162.48
Montana City .....	43,326.91
Moore .....	10,976.06
Nashua .....	81,400.74
Opheim .....	30,000.00
Pablo .....	236,702.05
Park City .....	489,003.98
Philipsburg .....	61,980.88
Polson .....	2,287,171.57
Power .....	50,000.00
Proctor .....	45,000.00
Radersburg .....	28,338.97
Ramsey .....	60,000.00
Red Lodge .....	280,315.86
Roberts .....	54,000.00
Ronan .....	333,906.28
Roundup .....	231,300.00
Roy .....	24,185.95
Savage .....	27,000.00
Scobey .....	30,699.35
Seeley Lake .....	100,000.00
Shelby .....	213,548.34
Shepherd .....	253,234.89
Sheridan .....	30,527.09
Sidney .....	2,428,292.20
Silesia .....	40,000.00
Simms .....	61,500.00
Somers .....	32,800.00
St Ignatius .....	71,987.40
St Regis .....	159,841.86
Stanford .....	123,000.00
Stevensville .....	1,767,448.36
Superior .....	900,507.31
Swan Lake .....	34,973.75
Thompson Falls .....	37,500.00
Three Forks .....	99,508.82
Townsend .....	641,700.01
Tracy .....	30,000.00
Troy .....	139,020.86
Ulm .....	38,500.01
Vaughn .....	220,690.31
Victor .....	134,135.76
Virginia City .....	79,968.25
West Yellowstone .....	42,000.00
White Sulphur Springs .....	766,222.61
Whitefish .....	560,316.83
Whitehall .....	164,177.02
Wilsall .....	18,300.07
Winston .....	19,985.89
Wolf Point .....	559,596.46
Worden .....	87,100.00
Grand Total .....	\$195,460,373.85

# Accountant's Report



## MONTANA BOARD OF HOUSING:

We have examined the accompanying individual and combined balance sheets of the various funds of the Montana Board of Housing as of June 30, 1981 and the combined balance sheet as of June 30, 1980, and the related statements of revenues, expenses and changes in fund balances, and changes in financial position for the year ended June 30, 1981 with respect to all funds; the year ended June 30, 1980 with respect to Single Family I Mortgage Program Funds and Multifamily Mortgage Program Funds; the period September 1, 1979 (date of inception) to June 30, 1980 with respect to Single Family II Mortgage Program Funds, and the period April 29, 1980 (date of inception) to June 30, 1980 with respect to Construction Loan Note Program Funds. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of the various funds of the Montana Board of Housing at June 30, 1981 and 1980, and the results of their operations and changes in their financial position for the periods then ended in conformity with generally accepted accounting principles applied on a consistent basis.

*Anderson Zurmuehlen & Co*

Helena, Montana  
August 5, 1981

ANDERSON ZURMUEHLEN & CO.

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
<b>ASSETS</b>						
Cash and investments (Notes 3 and 7) .....	\$11,584,491	\$ 24,450,713	\$ 2,775,374	\$3,538,672	\$ 42,349,250	\$96,084,518
Construction mortgage loans .....			2,253,577	5,688,151	7,941,728	6,065,370
Permanent mortgage loans .....	58,975,766	128,246,595	9,401,707		196,624,068	143,366,857
Interest receivable						
Investments .....	376,049	305,957	101,605	69,391	853,002	1,392,315
Mortgages and con- struction loans .....	392,307	989,310	75,843	50,890	1,508,350	1,007,507
Interfund receivable (payable) .....	73,202	41,228	(67,723)	(46,707)		
Deferred issuance costs, net .....	1,145,740	2,596,208	367,114	72,601	4,181,663	4,494,034
Other assets .....	5,003				5,003	
Total Assets .....	<u>\$72,552,558</u>	<u>\$156,630,011</u>	<u>\$14,907,497</u>	<u>\$9,372,998</u>	<u>\$253,463,064</u>	<u>\$252,410,601</u>

<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Bonds payable, net (Note 5) .....	\$66,497,989	\$149,068,435	\$13,554,748	\$	\$229,121,172	\$232,261,052
Notes payable (Note 6) .....				8,940,000	8,940,000	8,940,000
Interest payable .....	940,747	862,482	365,420	126,779	2,295,428	2,698,991
Deferred fee income .....						528,571
Accounts payable .....	22,461	15,203		8,263	45,927	117,562
Total liabilities .....	<u>67,461,197</u>	<u>149,946,120</u>	<u>13,920,168</u>	<u>9,075,042</u>	<u>240,402,527</u>	<u>244,546,176</u>
<b>FUND BALANCES</b>						
Unappropriated .....	821,423	6,683,891	987,329	297,956	8,790,599	4,086,274
Appropriated .....	4,269,938				4,269,938	3,778,151
Total fund balances .....	<u>5,091,361</u>	<u>6,683,891</u>	<u>987,329</u>	<u>297,956</u>	<u>13,060,537</u>	<u>7,864,425</u>
Total Liabilities and Fund Balances .....	<u>\$72,552,558</u>	<u>\$156,630,011</u>	<u>\$14,907,497</u>	<u>\$9,372,998</u>	<u>\$253,463,064</u>	<u>\$252,410,601</u>
The Notes to Financial Statements are an integral part of these statements.						

For the Years Ended June 30, 1981 and 1980 With Respect to the Single Family I Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period September 1, 1979 (Date of Inception) to June 30, 1980 With Respect to the Single Family II Mortgage Program Funds; For the Years Ended June 30, 1981 and 1980 With Respect to the Multifamily Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period April 29, 1980 (Date of Inception) to June 30, 1980 With Respect to the Construction Loan Note Program Funds

# Statements of Revenues, Expenses and Changes in Fund Balances

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
<b>REVENUES</b>						
Interest income on construction and permanent mortgage loans .....	\$4,195,085	\$9,291,419	\$ 877,295	\$ 304,974	\$14,668,773	\$7,475,016
Fee income .....	7,518	536,787	5,002		549,307	910,506
Income (interest, gains and losses, net) on investments .....	1,117,048	4,595,118	326,981	825,765	6,864,912	7,762,652
Total revenues .....	5,319,651	14,423,324	1,209,278	1,130,739	22,082,992	16,148,174
<b>EXPENSES</b>						
Interest .....	3,606,005	10,315,793	873,279	728,610	15,523,687	9,989,950
Servicer fees .....	221,713	402,109	8,583		632,405	329,882
Amortization of deferred financing costs .....	67,398	150,228	10,106	87,966	315,698	173,370
General and administrative .....	111,325	189,335	67,723	46,707	415,090	297,726
Total expenses .....	4,006,441	11,057,465	959,691	863,283	16,886,880	10,790,928
Revenues over expenses before unrealized loss on investments .....	1,313,210	3,365,859	249,587	267,456	5,196,112	5,357,246
Unrealized loss on investments (Note 7) ....						(225,814)
Revenues over expenses ...	1,313,210	3,365,859	249,587	267,456	5,196,112	5,131,432
Unappropriated fund balances, beginning of period .....		3,318,032	737,742	30,500	4,086,274	277,794
Transfer to appropriated fund balance .....	(491,787)				(491,787)	(1,322,952)
Unappropriated fund balances, end of period .....	821,423	6,683,891	987,329	297,956	8,790,599	4,086,274
Appropriated fund balances, beginning of period (Note 2) .....	3,778,151				3,778,151	2,455,199
Transfer from unappropriated fund balances ...	491,787				491,787	1,322,952
Appropriated fund balances, end of period .....	4,269,938				4,269,938	3,778,151
Total fund balances ...	\$5,091,361	\$6,683,891	\$987,329	\$297,956	\$13,060,537	\$7,864,425

The Notes to Financial Statements are an integral part of these statements.

For the Years Ended June 30, 1981 and 1980 With Respect to the Single Family I Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period September 1, 1979 (Date of Inception) to June 30, 1980 With Respect to the Single Family II Mortgage Program Funds; For the Years Ended June 30, 1981 and 1980 With Respect to the Multifamily Mortgage Program Funds; For the Year Ended June 30, 1981 and the Period April 29, 1980 (Date of Inception) to June 30, 1980 With Respect to the Construction Loan Note Program Funds

mbh

# Statements of Changes in Financial Position

	JUNE 30, 1981				JUNE 30, 1980	
	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds	Construction Loan Note Program Funds	Combined Total	Combined Total
<b>SOURCES</b>						
From operations:						
Revenues over expenses	\$ 1,313,210	\$ 3,365,859	\$ 249,587	\$ 267,456	\$ 5,196,112	\$ 5,131,432
Amortization of bond pre- miums, discounts and issuance costs, net ....	(125,174)	75,136	7,890	87,966	45,818	(103,353)
Changes in accounts:						
Interest receivable:						
Investments .....	(103,663)	632,492	(71,867)	82,351	539,313	(1,001,235)
Mortgages and con- struction loans	(4,429)	(478,474)	32,950	(50,890)	(500,843)	(608,963)
Interfund (receivable) payable .....	75,684	(158,131)	42,482	39,965	(71,635)	(30,260)
Accounts payable .....	2,480	(74,115)			(403,563)	1,567,536
Interest payable .....	(38,700)	(365,329)	(553)	1,019	(528,571)	526,954
Deferred fee income .....		(528,571)				
Cash and investments provided by operations .....	1,119,408	2,468,867	260,489	427,867	4,276,631	5,482,111
Mortgage loan principal payments:						
Scheduled .....	751,118	943,472	33,031		1,727,621	1,017,968
Prepaid .....	541,078	752,602			1,293,680	1,649,974
Net proceeds from bond and note sales .....						167,636,044
Total .....	2,411,604	4,164,941	293,520	427,867	7,297,932	175,786,097
<b>USES</b>						
Repayments of bonds payable .....	1,935,000	880,000	55,000		2,870,000	1,365,000
Purchase of mortgage loans .....	510,738	50,941,066	1,014,916	5,688,151	58,154,871	89,133,232
Payments of issuance costs and purchase of other assets .....	5,003	789		2,537	8,329	3,166,804
Total .....	2,450,741	51,821,855	1,069,916	5,690,688	61,033,200	93,665,036
Increase (decrease) in cash and investments ....	(39,137)	(47,656,914)	(776,396)	(5,262,821)	(53,735,268)	82,121,061
Cash and investments, beginning of period .....	11,623,628	72,107,627	3,551,770	8,801,493	96,084,518	13,963,457
Cash and investments, end of period .....	\$11,584,491	\$24,450,713	\$2,775,374	\$3,538,672	\$42,349,250	\$96,084,518

The Notes to Financial Statements are an integral part of these statements.

# Notes to Financial Statement

## 1. Authorizing Legislation and Funds:

### AUTHORIZING LEGISLATION:

The Montana Board of Housing is a quasi-judicial board created in 1975 by the Legislative Assembly of the State of Montana to facilitate the availability of housing to persons of low and moderate income. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes up to an aggregate amount of \$675,000,000. Neither the faith and credit nor taxing power of the State of Montana may be pledged to the payment of amounts so issued.

### SINGLE FAMILY I MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted March 10, 1977, and amended July 28, 1977 and June 13, 1978, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the purchase of mortgage loans secured by eligible mortgages on single family residential housing made to finance the ownership of such single family residential housing. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

### SINGLE FAMILY II MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted August 16, 1979, are prescribed for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, limited to the purchase of mortgage loans secured by eligible mortgages on single family residential housing made to finance the ownership of such single family residential housing. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

### MULTIFAMILY MORTGAGE PROGRAM FUNDS:

These funds, established under a trust indenture adopted February 23, 1978 and amended June 26, 1979, are prescribed for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for the construction and permanent mortgage loan on the multifamily developments being financed from the bond proceeds. The mortgage loans must be insured by the Federal Housing Administration.

### CONSTRUCTION LOAN NOTE PROGRAM FUNDS:

These funds, established under a trust indenture adopted April 16, 1980, are prescribed for accounting for the proceeds from the sale of Multifamily Construction Loan Notes, the debt service requirements of the note indebtedness, and for the construction loan on the multifamily developments being financed from the note proceeds. Mortgage bankers must obtain a commitment from the Government National Mortgage Association to purchase each construction loan after final endorsement for permanent mortgage insurance by the FHA.

## 2. Summary of Significant Accounting Policies:

### COMBINED TOTALS:

The combined total column includes the accounts of the various bond resolutions. Assets are restricted and are not available for any other purpose other than as provided for under the respective bond resolution.

### BASIS OF ACCOUNTING:

The Board follows the accrual basis of accounting.

### MORTGAGES AND INVESTMENTS:

Permanent mortgage loans are recorded as amounts disbursed and are carried at their uncollected principal balances. Temporary investments are carried at the lower of amortized cost or market. Long-term investments (investments intended to be held to maturity) are carried at amortized cost.

### PROVISION FOR POSSIBLE LOAN LOSSES:

A provision for possible loan losses will be made through charges against operations based on a periodic evaluation of the loan portfolio. Actual losses that occur will be charged against such valuation reserves. No provisions were considered necessary at June 30, 1981 and 1980.

### FEE INCOME:

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Board and for other specific services are recorded as income in the period received. Commitment fees collected in connection with single family mortgages are deferred and recorded ratably as income over the respective commitment period.

### DEFERRED FINANCING COSTS:

Issuance costs on bonds are amortized, using the bonds outstanding method, over the life of the bonds. Premiums and discounts on bonds are amortized, using the interest method, over the life of the bonds to which they relate.

### APPROPRIATION OF FUND BALANCES:

The Board has authorized an appropriation of the Single Family I Mortgage Program Fund balance in an amount necessary to meet the Interest Requirement and the Principal Requirement as specified by the applicable trust indenture.

### INTEREST RECEIVABLE — MORTGAGES:

Interest is accrued based upon the amount of outstanding mortgage principal. No interest is accrued or income recognized on mortgages more than six months in arrears or under foreclosure.

## 3. Restricted Assets:

Portions of cash and investments are restricted to uses specified by applicable bond resolutions. Amounts are restricted as follows:

	Single Family I Mortgage Program Funds	Single Family II Mortgage Program Funds	Multifamily Mortgage Program Funds
	June 30, 1981		
Debt service reserve .....	\$5,840,000	\$15,190,000	\$1,000,000
Mortgage reserve .....	634,500	1,308,690	241,760
	<u>\$6,474,500</u>	<u>\$16,498,690</u>	<u>\$1,241,760</u>
	June 30, 1980		
Debt service reserve .....	\$5,840,000	\$15,190,000	\$1,000,000
Mortgage reserve .....	634,500	1,338,500	241,760
	<u>\$6,474,500</u>	<u>\$16,528,500</u>	<u>\$1,241,760</u>

Cash or investments on hand at June 30, 1981 and 1980 met or exceeded the requirements.

## 4. Administrative and Other Operating Costs:

For the years ended June 30, 1981 and 1980, the Board was attached, for administrative purposes, to the Department of Administration, had a separate budget and used its own funds for administrative and other operating costs.

## 5. Bonds Payable, Net:

	June 30,	
Single Family I Mortgage Bonds:	1981	1980
1977 Series A, 4.5% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1993 and to optional redemption after various dates at prices ranging from 100 to 103 .....	\$20,155,000	\$20,795,000
1977 Series B, 4 1/8% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1992 and on October 1, 2008, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1993 and to optional redemption after various dates at prices ranging from 100 to 103 .....	33,185,000	34,165,000



	June 30,	
	1981	1980
1978 Series A, 5.05% to 8% interest, maturing in scheduled annual installments from October 1, 1980 to October 1, 1997, and on October 1, 2003 and October 1, 2009, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1998 and to optional redemption after various dates at prices ranging from 100 to 103.....	13,005,000	\$13,320,000
Bonds outstanding .....	66,345,000	68,280,000
Unamortized bond premium .....	152,989	345,562
Bonds payable, net .....	<u>\$66,497,989</u>	<u>\$68,625,562</u>
Single Family II Mortgage Bonds		
1979 Series A, 5.10% to 6.6% interest, maturing in scheduled annual installments from June 1, 1981 to June 1, 1997, and on June 1, 2000 and June 1, 2011, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1998 and to optional redemption after various dates at prices ranging from 100 to 102½.....	\$99,120,000	\$100,000,00
1980 Series A, 7.70% to 9% interest, maturing in scheduled annual installments from June 1, 1982 to June 1, 2000, and on June 1, 2012, subject to mandatory sinking fund requirements of scheduled amounts commencing in 2001 and to optional redemption after various dates at prices ranging from 100 to 103.....	50,000,000	50,000,000
Bonds outstanding .....	149,120,000	150,000,000
Unamortized bond premium .....	283,375	369,661
Unamortized bond discount .....	(334,940)	(346,134)
Bonds payable, net.....	<u>\$149,068,435</u>	<u>\$150,023,527</u>

#### Multifamily Mortgage Bonds

1978 Series A, 6¼% interest, maturing August 1, 2019, subject to mandatory sinking fund requirements of scheduled amounts commencing in 1980 and to optional redemption after various dates at prices ranging from 103 to 105 .....	\$4,845,000	\$4,865,000
1979 Series A, 5.4% to 6.875% interest, maturing in scheduled annual installments from August 1, 1980 to August 1, 1999 and on August 1, 2021, subject to mandatory sinking fund requirements of scheduled amounts commencing in 2000 and to optional redemption after various dates at prices ranging from 100 to 103 .....	8,625,000	8,660,000
Bonds outstanding .....	13,470,000	13,525,000
Unamortized bond premium .....	84,748	86,963
Bonds payable, net .....	<u>\$13,554,748</u>	<u>\$13,611,963</u>

The income and assets of the three program funds listed above are pledged for the payment of principal and interest on the bonds issued and to be issued by the respective programs. Interest on all outstanding bonds is payable semiannually.

Scheduled amounts of bonds maturing in the five years subsequent to June 30, 1981 are as follows:

	Program Funds		
	Single Family I	Single Family II	Multifamily
1982 .....	\$2,390,000	\$1,725,000	\$60,000
1983 .....	2,540,000	1,875,000	60,000
1984 .....	2,455,000	2,050,000	60,000
1985 .....	2,550,000	6,295,000	60,000
1986 .....	2,500,000	6,330,000	60,000

#### 6. Construction Loan Notes:

	June 30,	
	1981	1980
First 1980 Series, 8.15% interest, maturing April 29, 1982, construction loan notes ..	<u>\$8,940,000</u>	<u>\$8,940,000</u>

The income and assets of this program fund are pledged for the payment of principal and interest on the notes issued by the program. Interest is payable semiannually.

#### 7. Cash and Investments:

Generally, the Board's investments are restricted to U.S. Government and Agency obligations and interest bearing bank certificates, collateralized by the aforementioned U.S. obligations. At June 30, 1981 and 1980, cash and investments consisted of the following:

	June 30, 1981 Amortized Cost					June 30, 1980 Amortized Cost				
	Due Within One Year	Beyond One Year But Within Five Years	Beyond Five Years	Total	Quoted Market Value	Due Within One Year	Beyond One Year But Within Five Years	Beyond Five Years	Total	Quoted Market Value
Single Family I Program ..	\$ 5,203,366	\$ 511,005	\$ 5,870,120	\$11,584,491	\$ 9,838,479	\$ 5,643,209	\$124,067	\$ 5,856,352	\$11,623,628	\$10,813,904
Single Family II Program ..	9,849,200		14,601,513	24,450,713	21,254,101	57,302,740		14,804,887	72,107,627	71,954,852
Multifamily Mortgage Program ....	2,279,954	495,420		2,775,374	2,775,374	3,551,770			3,551,770	3,551,770
Construction Loan Note Program ....	3,538,672			3,538,672	3,538,672	8,801,493			8,801,493	8,801,493
Combined Total .....	<u>\$20,871,192</u>	<u>\$1,006,425</u>	<u>\$20,471,633</u>	<u>\$42,349,250</u>	<u>\$37,406,626</u>	<u>\$75,299,212</u>	<u>\$124,067</u>	<u>\$20,661,239</u>	<u>\$96,084,518</u>	<u>\$95,122,019</u>

#### 8. Retirement System:

The Board and its employees make contributions to the Montana Public Employees Retirement System (PERS). The Board's contributions were \$8,481 and \$6,720 for the years ended June 30, 1981 and 1980, respectively. While the Board is making all required contributions, PERS is administered by the State of Montana; the Board can make no statement regarding the financial status of PERS.

#### 9. Commitments:

At June 30, 1981, the Board was committed to:

- Purchase single family mortgages aggregating approximately \$365,000 under the Single Family II Mortgage Program.
- Make additional construction advances of approximately \$585,000 under the Multifamily Mortgage Program.



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